



SCARBOROUGH CAPITAL MANAGEMENT PRESENTS:

The 401(k) Pulse

A nationwide survey of how Americans view and manage their 401(k)s.

SCARBOROUGH
CAPITAL MANAGEMENT

Introduction

For most Americans, a 401(k) is the bedrock of their financial foundation. For younger generations, it's taken the place of pensions and has become a primary retirement savings vehicle. However, after helping thousands of clients better manage their 401(k)s throughout the years, we were a bit worried that many people were unaware of how their 401(k) was invested or if it was being properly optimized according to their retirement goals.

For this reason, we decided to put together a nationwide survey to see if our sampling and gut were telling us the truth. Do all Americans need help understanding their 401(k)? We surveyed more than 1,000 Americans with 401(k)s to find out – and the results were fascinating.

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Americans are confident about their 401(k) but are not educated on how it is invested

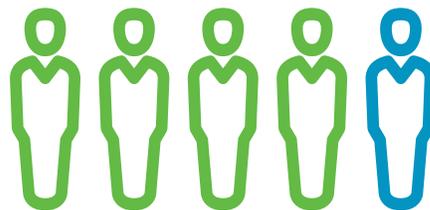
Key Takeaways:

- Only 22.7% of Americans believe they are educated in knowing how their 401(k) is actually invested.
- A quarter (25.8%) do not believe they are educated at all.

One of the most interesting bits of data we received from surveying the nation is how confident Americans are in how their 401(k) is invested. A majority (68.7%) of Americans are confident or somewhat confident in the investment decisions that have been made for their 401(k) based on retirement goals. That sounded like a great thing, until we discovered that 22.7% of Americans believe they are educated in knowing how their 401(k) is actually invested. A quarter (25.8%) do not believe they are educated at all.

Pairing these statistics together, it paints an interesting portrait. As retirement advisors, we think it is fascinating that the

majority of Americans seem to not know a lot about their 401(k) yet are still confident they are getting the most out of it.



Only 22.7% of Americans believe they are educated in knowing how their 401(k) is actually invested.

3 lessons from those close to retirement

Key Takeaways:

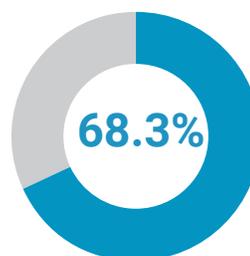
- If Americans could start their career over, **68.3%** would invest more in their 401(k), and only **1.8%** would invest less.
- Among 18- to 34-year olds, **46.9%** believe their 401(k) will fund more than a third of their retirement, while only **29%** of those older than 55 believe the same thing.
- Of those Americans who have worked with a financial advisor, **95.8%** would encourage the younger generation to do so.

So what can Americans do to educate themselves about their 401(k) and ensure it is optimized for their retirement goals? For one, our survey showed that we could all learn from our elders. According to our survey, if Americans could start their career over, 68.3% would invest more in their 401(k), and only 1.8% would invest less. Simply put, we could all be stashing away a percent or two more of our paycheck in our 401(k) for retirement.

With pensions becoming less of an option for most Americans, 401(k)s will likely be the go-to retirement vehicle for younger generations. In fact, we see that concept in our survey data. Among 18- to 34-year olds, 46.9% believe their 401(k) will fund more than a third of their retirement, while only 29% of those older than 55 believe the same thing. The stark difference could be because those 55 and older are more likely

than 18- to 34-year olds to have a pension. It could also mean the younger generation is more optimistic. Regardless, it's just another reason to be leveraging your 401(k) more as part of a comprehensive retirement plan.

For some Americans, working with a financial professional is a tactic they would recommend. Of those Americans who have worked with a financial advisor, 95.8% would encourage the younger generation to do so.



If Americans could start their career over, 68.3% would invest more in their 401(k).

Younger Americans are dipping into their 401(k) more than older generations did

Key Takeaways:

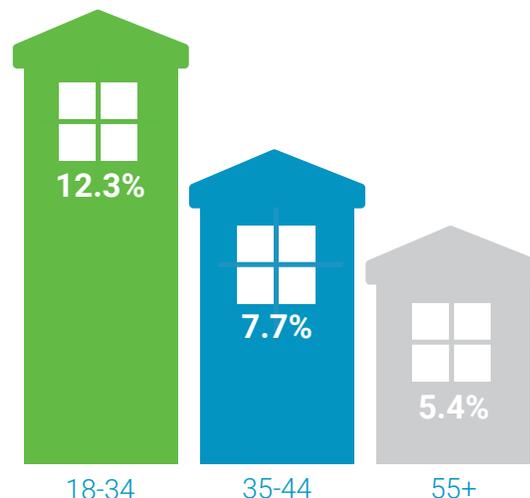
- Of those surveyed, about **8.2%** took out money from their 401(k) to put a down payment on a house.
- About one in five (**20.3%**) have considered dipping into their 401(k) to help pay their child go to college.
- Nearly two-thirds (**61%**) of those who dipped into their 401(k) would do it again.

Dipping into your 401(k) before you retire often comes with tax consequences, but for some American families, it can be worth it. Of those surveyed, about 8.2% took out money from their 401(k) to put a down payment on a house. Younger Americans ages 18-34 were most likely to do so (12.3%), followed by 7.7% of those ages 35-44, and 5.4% of those older than 55. Interestingly, nearly two-thirds (61%) of those who dipped into their 401(k) would do it again.

Paying for your child to go to college is also a common financial goal, and some families leveraged their 401(k) to help. More than two-thirds (66.5%) of Americans surveyed have paid or plan to pay for their kids to go to college, and about one in five (20.3%) have considered dipping into their 401(k) to help pay for it. Again, younger

Americans aged 18-34 were more likely (43.1%) to take money from their 401(k) compared to those aged 35-44 (25.9%) and 45-54 (12%).

Did you take money out of your 401(k) to buy your first home?



Affluent Americans check their 401(k) more often than other Americans

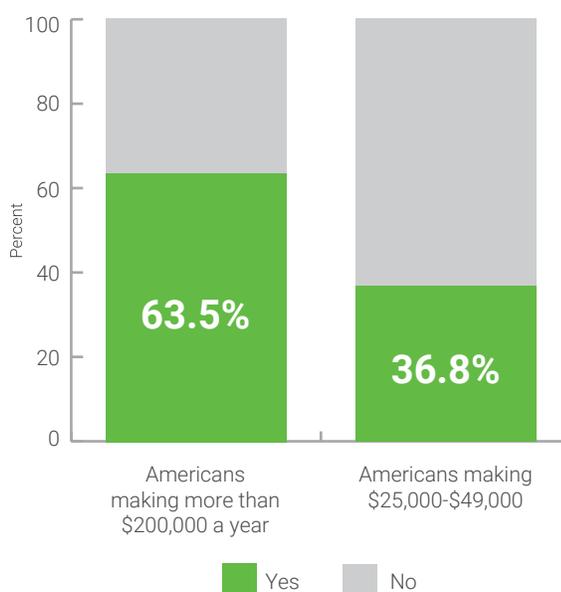
Key Takeaways:

- Nearly two-thirds of Americans (63.5%) making more than \$200,000 a year check their 401(k) more than four times per year, while just 36.8% of those making \$25,000–\$49,999 check their 401(k) that often.

The responses of affluent Americans were similar to those of most Americans, but there are areas where the wealthy appeared to differ. For example, half (50%) of Americans making more than \$200,000 a year feel educated in how their 401(k) is invested, compared to just 17.1% of those making \$25,000–\$49,000.

The affluent are likely to check on their 401(k) more often than those making less money. Nearly two-thirds of Americans (63.5%) making more than \$200,000 a year check their 401(k) more than four times per year, while just 36.8% of those making \$25,000–\$49,999 check their 401(k) that often.

Do you check your 401(k) more than four times per year?



Women have less saved in their 401(k) than men



Key Takeaways:

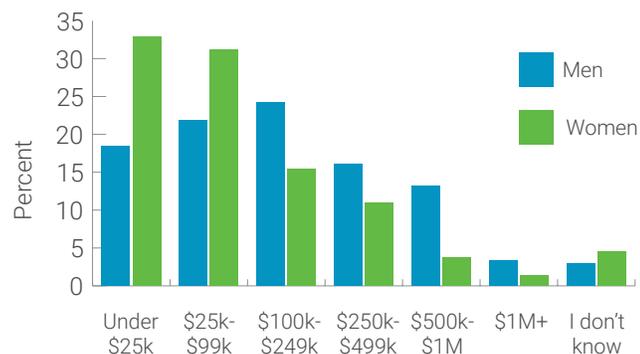
- Women were more likely to have less saved in their 401(k) than men
- 17.1% of men spend 10 hours a year managing their 401(k) while only 6.2% of women spend an equivalent amount of time.

One of the more peculiar statistical themes that came out of the survey is that men appear to be more involved and have more saved in their 401(k)s than women. Not only were women more likely to have less saved in their 401(k) than men, but 17.1% of men spend 10 hours a year managing their 401(k) while only 6.2% of women spend an equivalent amount of time. Additionally, among married couples, women were more likely to have their spouse handle their 401(k) (11.6%) than men were (1.3%).

There are a number of reasons for this statistical curiosity. It's possible that the gender wage gap contributes to women having less saved or that women are more likely to leave the workforce than men and

therefore are less interested in their 401(k) than men. While the gap is not huge and does not portend disaster, it's worth noting as a trend in the survey.

How much do you currently have saved in your 401(k) account(s)?



Americans differ in how much they believe their 401(k) will finance their retirement

Key Takeaways:

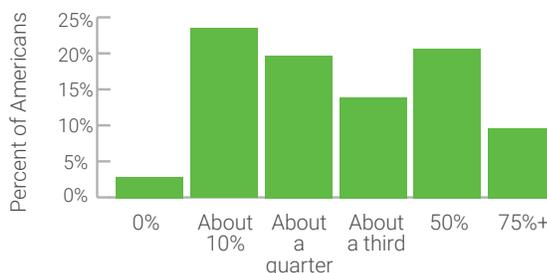
- Currently, **20.9%** of Americans expect their 401(k) will fund half of their retirement, while **23.7%** expect their 401(k) to fund only 10% of their retirement.

One of the biggest financial questions Americans need to ask themselves is how much their 401(k) will cover in retirement. Currently, 20.9% of Americans expect their 401(k) will fund half of their retirement, while 23.7% expect their 401(k) to fund only 10% of their retirement. Assuming these people are equally knowledgeable about their investments, this statistic serves in showing just how different one person's finances can be compared to another's, and why so many Americans struggle with understanding their 401(k).

We hear from our clients all the time, "I'll retire when I have \$1 million." However, only 2.8% of survey respondents making \$100,000-\$199,000 per year have more than

\$1 million dollars saved in their 401(k). That begs the question, just how much should Americans aim to have in their 401(k), and how much should they have invested elsewhere?

Roughly, how much of your retirement income would you estimate will come from your 401(k)?



Americans were split on more than one question

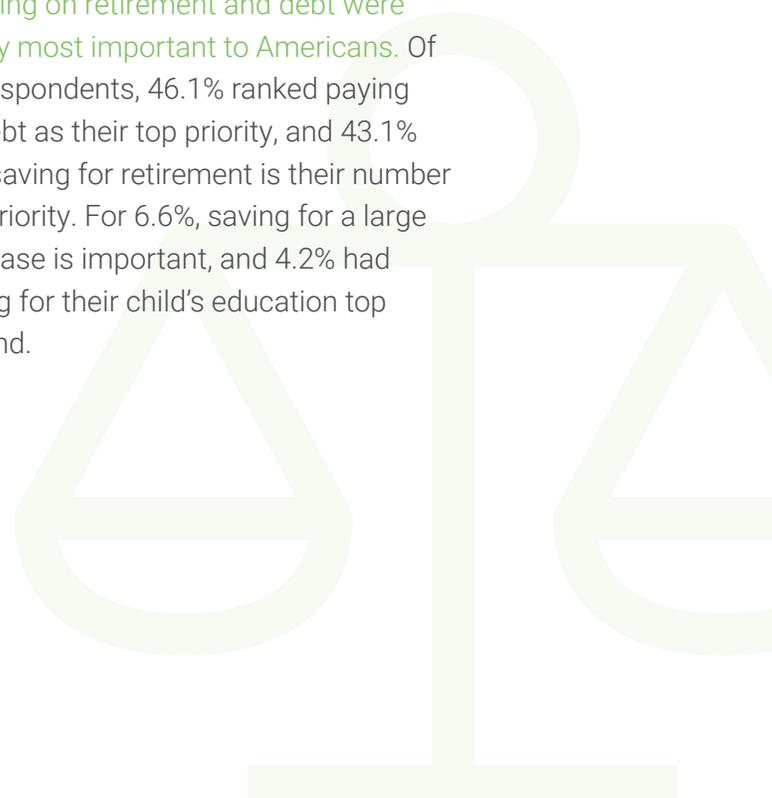
On several survey questions we ended up seeing a defined split among respondents. This is intriguing because it seems to acknowledge something we often see as financial advisors—people either take control of their finances or they passively hope for the best.

1 While nearly 3 in every 10 Americans have more than one 401(k), only half (51.6%) have ever rolled them over. Of those who have, 52.7% did so because they wanted it all in one place, 20.1% were advised to do so, 19.1% wanted to simplify their investments, 17% thought it was the right thing to do, 10.6% wanted more options and 9.9% did so to avoid the fees.

2 Americans are split 50-50 on whether they have used a financial advisor to save for retirement. This trend was largely the same no matter what the individual's income level is. For those Americans who chose not to use a financial advisor, 29.4% made that decision because they believe they have the ability to do it themselves, 21.7% felt they didn't have enough money to invest, 21.5% thought it was too expensive and 17.9% never considered it.

3 A majority of Americans begin taking their 401(k) seriously by the time they're in their 20s (31.8%) or their 30s (33.4%). However, some respondents mentioned waiting until their 40s (18.4%), 50s (8%) or past their 50s (3.7%). Only 2.4% said they don't take their 401(k) seriously.

4 When asked to rank saving for retirement; saving for a child's college education; saving for a large purchase, such as a home or a car; and paying off debt—from highest priority to lowest—focusing on retirement and debt were clearly most important to Americans. Of the respondents, 46.1% ranked paying off debt as their top priority, and 43.1% said saving for retirement is their number one priority. For 6.6%, saving for a large purchase is important, and 4.2% had paying for their child's education top of mind.



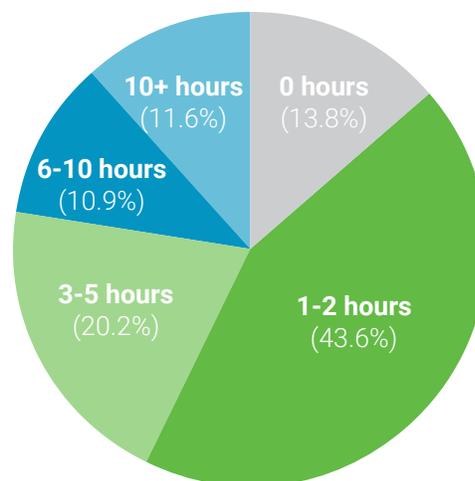
A majority of Americans spend one to two hours per year managing their 401(k)

Key Takeaways:

- A majority of people (43.6%) spend one to two hours per year managing their 401(k).
- 20.5% of Americans are putting 10% of their paycheck into their 401(k), 13.7% of Americans contribute 5%, and 4.3% of Americans are putting away 3%.

Throughout the survey, there seemed to be a persistent question about how much management a 401(k) really needs. A majority of people (43.6%) spend one to two hours per year managing their 401(k), an amount of time that seems paltry to how long Americans spend planning vacations. Additionally, 20.5% of Americans are putting 10% of their paycheck into their 401(k), 13.7% of Americans contribute 5%, and 4.3% of Americans are putting away 3%.

On an average year, how long do you typically spend managing your 401(k)?



Conclusion

As this survey has demonstrated, there's no one right way to manage a 401(k). Every American has unique circumstances that make up their financial picture, and what might be the right strategy for one family is completely different for another. What these results do point to, however, is that understanding your own finances is a lifelong process, and the sooner you start, the better.

When we first began this survey process, many of us had ideas of how the data would come back. The inconsistencies in the data confirmed our suspicions that many Americans need guidance to help optimize the management of their 401(k). In seeing this, it's renewed our enthusiasm to help Americans struggling with their financial goals by equipping them with the knowledge and tools for success.

Warren Buffet said, "Someone is sitting in the shade today because someone planted a tree a long time ago." At Scarborough, we understand how overwhelming it can seem to save for retirement and start that seeding process. You need a plan tailored to you and the retirement you want. We learned so much from this survey and are committed to lessen the financial pressures many Americans have. By reading this report, we hope you also feel more committed to accomplishing your financial goals. We're rooting for you and are always here to help if you need.

“Someone is sitting in the shade today because someone planted a tree a long time ago.”

-Warren Buffet

Methodology

Research Now conducted a nationally representative digital survey on behalf of Scarborough Capital Management. The survey was conducted from February 10, 2016, through February 17, 2016, and consisted of 1,004 Americans throughout the United States older than 18 with 401(k)s. The margin of error is +/- 3% for the national sample.

About Scarborough Capital Management

For over two decades, Scarborough Capital Management has provided comprehensive wealth management services to busy individuals and families who don't have the time to develop and manage a portfolio. What sets our company apart is our inherent interest in helping everyone from the mid-level employee to the top-tier executive preparing for retirement. Our services include a comprehensive array of financial planning support for people in all stages of life, including 401(k) and 403(b) Management, Thrift Savings Plan (TSP) Management, Wealth Management, Personal Pension Analysis, Social Security Analysis and Financial Planning. For more information about Scarborough Capital Management, visit www.scmadvice.com.

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